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ABSTRACT

This book is intended to provide development officers at not-for-profit organizations with comprehensive standards and definitions for preparing fund-raising activity reports of yearly fund-raising results, as well as management and activity reporting standards for fund-raising campaigns. Section 1 presents gift-income reporting standards for use in recording annual giving from private sources, and is keyed to an activity-report format. The first chapter provides detailed standards for reporting specific types of gifts, such as assignment of income, cash, closely held stock, and life insurance policies. A second chapter defines terms used in the gift income report; terms are categorized by sources, donor purpose, and various report forms. Section 2 consists of management and activity reporting standards for fund-raising campaigns, also keyed to report forms. Chapters address: why organizations need campaign standards, campaign management standards, campaign reporting standards, and campaign report forms. Appendices provide more detail on reconciling fund-raising activity reports with the organization's financial statements; net present value calculations for deferred gifts; the Financial Accounting Standards Board Statements 116 and 117 (concerning contributions and financial statements of not-for-profit organizations); and the National Association of College and University Business Officers guide to distinguishing between contracts and contributions. (DB)

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Fund-Raising Standards for Annual Giving and Campaign Reports

For Not-for-Profit Organizations other than Colleges, Universities, and Schools

CASE

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Fund-Raising Standards for Annual Giving and Campaign Reports

For Not-for-profit Organizations Other Than Colleges, Universities, and Schools

Published by the Council for Advancement and Support of Education (CASE) for the National Society of Fund Raising Executives (NSFRE)

Adapted from *CASE Management Reporting Standards: Standards for Annual Giving and Campaigns in Educational Fund Raising* (for colleges, universities, and schools), February 1996

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DISCLAIMER

The information in these standards is for educational purposes and is intended to provide general information only. It should not be interpreted as legal, tax, accounting, or financial advice. Please consult your organization's attorney, tax advisor, auditor, and/or chief financial or business officer for specific advice on these matters. Organizations should consult with their tax advisers regarding current tax laws.

Furthermore, these standards relate only to the amounts that an organization should provide in its fund-raising activity reports. These reports may differ from the contribution values of the charitable deductions taken by the donors and the recorded values shown in audits and other financial statements.

It is also important to understand that these standards for fund-raising activity reports do not constitute an endorsement of accounting standards that differ from generally accepted accounting principles (GAAP) as promulgated by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA) or those contained in the relevant AICPA publications. Neither are they intended to affect the revenues and fund balances of an organization's published financial statements.

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FOREWORD

These standards for reporting fund-raising activity have been developed for use by not-for-profit organizations (other than colleges, universities, and schools), large or small. The standards address both annual giving and campaigns. Colleges, universities, and schools follow *CASE Management Reporting Standards*, from which these standards were adapted.

When the Council for Advancement and Support of Education (CASE) published its *CASE Campaign Standards* in 1994, the report was specifically designed to provide management and reporting assistance for college, university, and precollegiate school campaigns. As a result of CASE's major effort to urge institutions planning or conducting campaigns to embrace these standards, the *CASE Campaign Standards* publication — now included in the 1996 *CASE Management Reporting Standards* — was received with great enthusiasm by the educational community. The American Association of Fund Raising Counsel (AAFRC), the Association for Healthcare Philanthropy (AHP), the National Society of Fund Raising Executives (NSFRE), and other organizations representing fund-raising professionals were pleased to join the educational community in recognizing these standards.

With the introduction of the CASE standards, interest grew among the professional associations for a more generic version of management and reporting standards that would be better suited to a broader segment of not-for-profit organizations. This publication is the result of a two-year effort by a group of key volunteer and staff professionals who assumed responsibility for adapting both the CASE campaign standards and the CASE standards for reporting annual giving and refocusing them as reporting tools for other not-for-profit organizations. The advisers — fund-raising professionals from various professional associations — invested a substantial amount of time providing their expertise to expand the publication's utility.

Yet this is only a beginning. Although these standards provide a format for more standardized reporting of fund-raising results, they are only a part of the answer to the ultimate goal: standardization within the not-for-profit sector for reporting both gift income and the expenditures made to garner that support.

This is an internal document for use by management and volunteers. It is not an accounting guide. Although this publication includes a guide to reconcile the differences between fund-raising activity reports and the organization's financial statements, organizations seeking more detailed explanations of accounting may consult other documents, such as the Association for Healthcare Philanthropy's *Chart of Accounts for Healthcare Fund Raising* and the Price Waterhouse *Guide to Nonprofit Fund Accounting*.

With this publication, the reader is reviewing standards that straightforwardly address capital campaign and annual fund-raising reporting. These suggested standards establish a clear methodology for managing the reporting necessary for successful fund raising. We encourage not-for-profit organizations to consider applying these standards; doing so will assist them in (1) demonstrating the effectiveness of their efforts, (2) providing a measurement tool for more uniform assessment, and (3) effectively communicating results with donors and the public.

We want to offer our sincere thanks and grateful appreciation to those who served as advisers for this project. The names of those who participated appear on the next page. We also offer special appreciation to Lilly Endowment, Inc., for its contribution to the development of this document; to Mary Joan McCarthy, CASE Director of Resource Development and Special Projects, who served as staff director to this project; to now-retired CASE President Peter McE. Buchanan for his leadership, persistence, and willingness to donate CASE's resources to the project; and to CASE's current president, Eustace D. Theodore, for his support.

And we owe special thanks to Patricia F. Lewis, ACFRE, who was president of the National Society of Fund Raising Executives during the development of this project. It was Ms. Lewis who initially approached CASE about developing a version of its standards that would be appropriate for any kind of not-for-profit organization engaged in raising philanthropic funds. And it was Ms. Lewis who championed the cause and provided her considerable fund-raising expertise to developing these fund-raising standards for NSFRE.

This publication will assist professionals in organizing their efforts as well as enabling volunteers and donors to develop a clear understanding of the results of their efforts and contributions.

Ron L. Carroll
Chair, National Society of Fund Raising Executives
April 1998

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INTRODUCTION

This book provides development officers at not-for-profit organizations with comprehensive standards and definitions for preparing fund-raising activity reports of yearly (annual giving) fund-raising results, as well as management and activity reporting standards for fund-raising campaigns. It is adapted from *CASE Management Reporting Standards: Standards for Annual Giving and Campaigns in Educational Fund Raising*, published in February 1996 by the Council for Advancement and Support of Education (CASE).

Section I presents standards and definitions for use in recording annual giving fund-raising results from private sources, keyed to an activity-report format. Section II consists of management and activity reporting standards for fund-raising campaigns, also keyed to report forms.

For purposes of these standards, annual giving comprises a variety of fund-raising techniques, all of which could involve individuals, corporations, foundations, and other traditional sources of philanthropy. Reporting annual giving results means documenting the results of the funds that actually come in during a given year.

A campaign, however, can span many years or be as short as a few months. But the purpose of all campaigns is to raise funds within a defined period of time for specific purposes. Thus, reporting campaign activity involves documenting cumulative results for the life of the campaign.

Note that these standards do not measure cost-effectiveness of a fund-raising program. Perhaps at a future time the field will accept definitions for expenditures to be counted in fund-raising costs. Until then, there is little consistency in measuring expenses at different organizations.

Nor is this publication an accounting guide. It is a way to begin to standardize reporting results of fund-raising activity; simply reporting the end result.

The use of consistent standards enables officials at not-for-profit organizations to speak the same language. When used together, the standards and related reports give an organization sound measurement tools for (a) compiling the results of its fund-raising programs each year for the governing board, chief executive officer, donors, funding organizations such as foundations and corporations, and all other interested parties; (b) comparing the results with those of previous years; and (c) making credible comparisons of its fund-raising results with those of similar, cooperating organizations.

The compilation of such data also provides an important public service by documenting the fund-raising activity of not-for-profit organizations in the United States and Canada. This presents a useful model for other nations to emulate as philanthropy plays an increasingly larger role in financing not-for-profit activities around the world.

ABBREVIATIONS

AICPA	American Institute of Certified Public Accountants
CASE	Council for Advancement and Support of Education
CPA	Certified public accountant
FASB	Financial Accounting Standards Board
FV/FMV	Face/fair-market value (for deferred gifts)
GASB	Government Accounting Standards Board
GAAP	Generally accepted accounting principles
IRC	*Internal Revenue Code*
IRS	Internal Revenue Service
NACUBO	National Association of College and University Business Officers
NPV	Net present value (for deferred gifts)
NSFRE	National Society of Fund Raising Executives

SECTION I: ANNUAL GIVING

Chapter 1: Gift Income Reporting Standards

The gift income reporting standards in this chapter are for an organization to use in compiling its reports of annual giving fund-raising results. (Sample report forms appear at the end of this chapter, starting on page 22; citations to parts, columns, and lines throughout this chapter refer to these forms.) When organizations report gift income to their own constituencies, however, they may wish to report selected data in somewhat different but equally reasonable ways.

For example, a museum that receives a gift from a family foundation may, in its report to donors, wish to recognize the particular family member responsible for obtaining the gift, rather than the foundation itself. For the sake of these activity reports, though, development officers should report that gift as these standards prescribe — that is, as from the foundation itself. (For details, see "Credit to Last Entity," page 11).

Standards for Reporting Specific Types of Gifts

The amounts reported in Parts I, II, and III of the Gift Income Report (see page 22) should include only the cash, property, and unconditional promises received as private, charitable support during the organization's fiscal year. Funds that should not be reported as private, charitable support are listed on page 10 under "Exclusions."

A gift should be valued by the organization on the date the donor relinquished ownership or control of the assets in favor of the not-for-profit organization. This treatment follows U.S. Internal Revenue Service (IRS) regulations. The amount reported is determined without regard to either the donor's personal estimation of the gift's value or the worth and date of the gift reported by the donor to the IRS.

These standards follow IRS regulations regarding *quid pro quo* contributions, discounting to net present value the gifts of future commitments (deferred gifts), and assignment of income to be reported as philanthropic support.

The following standards apply when reporting these types of gifts.

Assignment of Income: A person may assign to an organization the income that the person could have received from a third party as payment for services, e.g., payment for serving on a corporate board or honoraria for speaking engagements. In such circumstances, credit the gift to the person making the assignment. (U.S. tax rules generally require the organization making the payment to report the payment for services as income to the

individual; the individual may then take a corresponding charitable-contribution tax deduction. If the "payment" by a third party is to satisfy a pledge by the individual to the not-for-profit organization, IRS considers it to be imputed income to the pledge maker.)

If the third-party organization issues a check made out to the not-for-profit and informs the charity that the check is being sent at the request of an individual and represents payment for that person's services to the third-party organization, credit the amount as a gift from the person who performed the services, not as a gift from the third party.

If a third-party payer wishes to provide a gift in anonymity, the donor's wish must be respected and that donor must be reported as "anonymous."

In Canada, the donor will receive a donation receipt noting the amount of the gift in the case of a cash donation or, where the gift is a gift of property, the amount that is the fair-market value of the property at the time that the gift was made. Regulation 3501 to the Income Tax Act contains detailed requirements regarding the content of official receipts.

Cash: Report the amount of cash gifts as of the date the organization receives them. For gifts denominated in foreign currencies, compute the value based on the exchange rate in effect on the date of receipt.

Charitable Gift Annuities: In the charitable gift annuity transaction, a person irrevocably transfers to an organization some property, such as securities, and the organization agrees in a contract to pay the donor or other beneficiaries a guaranteed annuity for life. Because the transferred property has a value larger than the value of the annuity, the transaction is partly the purchase of an annuity from the organization and partly a gift to the organization.

Because the organization will not receive the gift portion until the death of the final income beneficiary, report gift annuities as deferred gifts (future commitments). The face (fair-market) value amount transferred should be reported in the face value column under Part III: "Deferred Gifts." The amount allowable as a deduction under the U.S. federal tax law — the face (fair-market) value minus the net present value of the annuity — should be reported in the net present value column under Part III: "Deferred Gifts."

In Canada, the amount recorded on the individual's tax receipt — to be used in the calculation of the individual's tax credit and to be reported by the organization in the net present value column under deferred gifts — is the purchase price of the annuity less the expected return (life expectancy multiplied by the annual income). For further guidance, see Revenue Canada's "Interpretation Bulletin IT-111R2 — Annuities Purchased from Charitable Organizations."

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Charitable Lead Trusts: In a charitable lead trust, a donor transfers property to a trust, creating an income interest in the property in favor of an organization for a stated period. The remainder interest, when returned, is either retained by the donor or directed to be given to another family member.

Example: A donor establishes a charitable lead trust with an organization by transferring $500,000 to the trust and stipulating that the interest income earned from the trust be given to the not-for-profit organization each year for 10 years, after which the assets are to return to the donor. The interest received by the organization each year should be entered in the organization's gift totals for that year.

Note: These standards for reporting charitable lead trusts are consistent with those for reporting charitable lead trusts in campaigns. Campaign reports, however, also include amounts expected to be received in the remaining years of the campaign.

Charitable Remainder Trusts and Pooled Income Funds: Gifts made (a) to establish charitable remainder trusts (whether administered inside or outside the organization) where the remainder is not subject to change or revocation and (b) to pooled income funds should be credited as deferred gifts (future commitments) at both the discounted net present value of the remainder interest allowable as a deduction by the IRS and at the face (fair-market) value. The premise underlying the discounting to net present value of gifts of a future interest is that the net present value of a future interest is less than the face (fair-market) value of the assets at the time the gift commitment is made. (For a discussion of net present value of gifts, see Appendix B.) For the purposes of this report, charitable remainder trusts and gifts to pooled income funds should be reported in Part III as deferred gifts either for restricted or unrestricted endowment or for other purposes, as directed by the donor.

In Canada, credit such gifts at the amount eligible to be used in the individual's tax credit calculation and at the face (fair-market) value. It should be noted that not all charitable remainder trusts qualify the donor or the donor's estate for a charitable donation receipt. The determination as to whether the donor qualifies for a charitable donation receipt depends upon whether the trust meets the conditions set forth in Interpretation Bulletin IT-226R.

Note: Details of all charitable remainder trust gifts may not be available to the organization, and thus it will not always be possible to verify that the organization is the charitable remainder beneficiary irrevocably. Nonetheless, to be counted in fund-raising totals, the charitable remainder beneficiary designation must be irrevocable and verified as such.

Closely Held Stock: Gifts of closely held stock exceeding $10,000 in value should be reported at the fair value placed on the stock by a qualified independent appraiser as required by the IRS for valuing gifts of stocks not publicly traded. The organization may obtain the appraiser's valuation figure from IRS Form 8283, on which the donor must obtain the donee's signature for all such gifts.

Gifts of $10,000 or less may be valued at the per-share cash purchase price of the most recent transaction. Normally, this transaction is the redemption of the stock by the corporation. If no redemption is made during the reporting period, the gift may be credited to fund-raising totals at the value determined by a qualified independent appraiser. For a gift of $10,000 or less, when no redemption has occurred during the reporting period, an independent certified public accountant (CPA) may be deemed to be qualified to value the stock of that corporation.

Note: For a specific definition of "qualified independent appraiser," see the U.S. income tax regulation in Section 1.170A-13(c)(3). *For guidance in Canada, see Revenue Canada's publication "Gifts and Income Tax," P113 Rev. 94.*

Contributed Services: Contributed services should be counted as gift income if they meet all three of these requirements: (a) They would need to be purchased if not contributed; (b) they require specialized skills; and (c) they are provided by someone who possesses those skills. However, even if the donor meets this three-point test, there is no income tax charitable deduction.

CASE standards exclude contributed services from fund-raising management reports.

Grants and Contracts: Reports should include grant income from private, nongovernment sources but should *not* include contract revenue. The difference between a private grant and a contract depends on the intention of the awarding agency and the legal obligation incurred by an organization in accepting the award. A private grant, like a gift, is donative in nature; it is bestowed voluntarily and without expectation of any tangible return. A contract carries an explicit *quid pro quo* relationship between the source and the recipient.

Government grants and awards — whether local, state (including state matching grants), federal, or foreign — should be excluded from gift reports. For further help in distinguishing between contracts (exchange transactions) and private grants that are contributions, see Appendix D.

Life Insurance Policies: The face value of a life insurance policy should not be counted in fund-raising totals before the death of the donor, *even if* the organization is the owner and irrevocable beneficiary of the policy. You may report the cash surrender value of the policy in the initial

year and its increases each year thereafter. Premiums paid by the donor should be reported as gift income. Realized death benefits from a policy, less any previously reported cash surrender values and premiums paid by the donor, should be reported as a gift on the date the organization receives the net proceeds of the policy.

CASE standards differ, in that realized death benefits received are not counted as gift income if any amount was counted previously.

Marketable Securities: Count marketable securities at the average of the high and low quoted trading prices (or the average of the bid/ask in the case of certain securities) on the date the donor relinquished dominion and control of the assets in favor of the not-for-profit organization or trust. To determine the fair-market value if the security was not traded on that date, the IRS requires that the average of the high and low on the day before the transaction be combined with the average on the day after the transaction. Neither losses nor gains realized by the organization's sale of the securities after their receipt, nor brokerage fees or other expenses associated with this transaction, should affect the contribution value reported to the donor and in gift reports.

Exactly when a donor relinquishes dominion and control depends upon the method of delivery of the securities to the organization. It is often possible today to complete this exchange electronically, without paper documents, between the donor's agent and the organization's agent. These reporting standards do not address the multitude of tax rules regarding the delivery of securities. Still, some guidance is available from IRS Publication 526, "Charitable Contributions," which states:

> The gift to a charity of a properly endorsed stock certificate is completed on the date of mailing or other delivery to the charity or to the charity's agent. However, if you give a stock certificate to your agent or to the issuing corporation for transfer to the name of the charity, your gift is not completed until the date the stock is transferred on the books of the corporation.

This date will be noted on the stock certificate issued in the name of the not-for-profit organization. The transfer of securities held in "street names" is complete when the donor's broker/agent relinquishes control in favor of the donee or the donee's agent. The term "street names" is used when securities are held in names other than the donor's, such as those of the broker or agent.

Revenue Canada's administrative procedure stipulates that the closing market price on the date of the gift determines the fair-market value of the gift.

Promises to Give (Pledges): *Conditional promises:* The Financial Accounting Standards Board (FASB) defines a promise to give (pledge) as conditional when the donor has placed conditions upon it that depend on the occurrence of specified future and uncertain events. Conditional promises are reported as fund-raising activity when the condition is met. This contrasts with a restricted contribution, which is reportable upon receipt and is reported as an unconditional gift.

Unconditional promises: Both FASB and the American Institute of Certified Public Accountants (AICPA) require not-for-profit organizations to report all unconditional promises to give at a future date (pledges) on the organization's financial statements. Report these at the net present value of promises estimated to be collectible in future years and enter the value on the financial records as an asset. National Society of Fund Raising Executives (NSFRE) standards call for these to be recorded in fund-raising activity reports exactly as is required for financial statements.

CASE standards specifically exclude all pledges from fund-raising totals. CASE standards instruct the educational institution to inform its finance office of any unconditional promises (pledges) so that the institution's financial statements will reflect the unconditional promises as income at the time of the promise, as required by FASB.

***Quid Pro Quo* Contributions:** For *quid pro quo* contributions, report only the amount of the contribution that exceeds the fair-market value of benefits the donor receives from the organization in return for the gift. For such contributions, these standards follow the U.S. federal tax law regarding tax-deductibility of *quid pro quo* contributions.

The U.S. federal tax law defines a *quid pro quo* gift as "a payment made partly as a contribution and partly in consideration for goods or services provided to the payor by the donee organization." The value of the goods or services the donor receives, including the value of food and drink at a benefit event, is a key factor in determining the amount of the actual gift.

The IRS tax rules on *quid pro quo* contributions provide guidance on this issue. Some highlights are as follows:

1. The items must have "substantial" value to be considered as benefits under this regulation and, therefore, to be subtracted from the donor's contribution.
2. Items that have insubstantial value need not be subtracted from the donor's contribution.
3. The IRS has "safe harbor" rules to determine benefits, or premiums, of insubstantial value:
    a. if they equal less than 2 percent of the donor's contribution, with a cap indexed annually by the IRS (the 1998 cap is $71);

b. if the gift is $35 or more (in 1998) and the benefits received are token items such as bookmarks, posters, mugs, etc., with the organization's name printed on them and for which the cost to the organization is $7.10 or less (in 1998) per item;

c. or if the benefits are offered to members in exchange for a payment of $75 or less and consist of either rights or privileges that can be exercised frequently during the membership period (e.g., free admissions or parking privileges) or admission to members-only events for which the organization projects a cost per person of $7.10 or less (for 1998).

4. With the exception of token items referred to above, the value of the benefits must be based on the fair-market value of the items, rather than the cost to the organization.

Note: The IRS adjusts these figures for inflation each year.

Development officers are urged to read the *Internal Revenue Code* (IRC) and related IRS regulations for a complete description of the tax rules for tax-deductibility of *quid pro quo* contributions and gift substantiation and *quid pro quo* disclosure statement requirements. See IRC Section 6115 and Federal Income Tax regulation 1.170 A-13, available through the IRS. Copies of the IRC and IRS regulations are available at the NSFRE Resource Center as well. Members should also consult their tax advisers.

For a discussion of similar issues in Canada, see Revenue Canada's "Interpretation Bulletin IT-110R2 — Deductible Gifts and Official Donation Receipts," revised by Special Release dated January 27, 1989.

Real or Personal Property and Gifts-in-kind: A gift of real or personal property that qualifies as a charitable deduction for a donor should be counted at its full fair-market value regardless of the value the donor may be able to take as a charitable deduction. IRS requirements for gift substantiation note that the donor has the responsibility for valuing property for tax deduction purposes.

Gifts with fair-market values of more than $5,000 should be counted at the values placed on them by qualified independent appraisers, as required by the IRS for valuing noncash charitable contributions. Gifts of $5,000 or less may be reported at the value declared by the donor or, if there is expertise on the staff other than that of the development officer, as placed on the gift by such an expert. Organizations may obtain the appraiser's valuation figure from IRS Form 8283, on which the donor must obtain the donee's signature for all such gifts.

Gifts-in-kind are noncash donations of materials or long-lived assets. Gifts of materials or long-lived assets that serve the purpose of the organization should be reported at the face (fair-market) value. Gifts-in-kind might include such items as equipment, software, printed materials, and food or other items used for hosting dinners, for example. For items such as

equipment and software, report the discount value, if any — that is, the value the organization would have paid if it had purchased the item outright from the vendor.

Report gifts of copyrights and ownership of gas or oil wells at the readily determinable face (fair-market) value. If the fair-market value is not known and cannot be readily determined, report the asset in the year the value becomes known. For gifts of royalties from gas and oil wells not owned by the organization, report the amount received each year.

Note of caution: Except for royalties, such gifts may be considered unrelated to the organization's exempt purpose and should be reviewed by counsel as to the appropriateness of accepting the gift and whether the income generated by the gift is subject to unrelated business income tax (UBIT).

In Canada, gifts of appreciated property are subject to capital gain. However, when the fair-market value of a gift exceeds its adjusted cost base, donors of such capital property may, according to the federal Income Tax Act (in Quebec, the Quebec Taxation Act), choose to value such a gift at a value between its fair-market value and adjusted cost base. In effect, this choice results in a tax receipt being issued for less than the fair-market value of the gift. The organization should record the fair-market value of the gift.

Also, in Canada, if an appraisal is needed and the fair-market value of the gift is $1,000 or less, such appraisal can be provided by a qualified staff member of the organization receiving the gift. For further guidance on appraisals, gifts-in-kind, gifts of listed personal property, and gifts of certified cultural property, see Revenue Canada's "Gifts and Income Tax," P113 Rev. 94.

Remainder Interest in a Residence or Farm: A gift of a remainder interest in a personal residence or farm should be credited in the "Deferred Gifts" section at both the remainder (net present) value recognized as an allowable deduction by the IRS and at the face (fair-market) value.

In Canada, donors may make a gift of a residual interest in real property or an equitable interest in a trust (either real or personal property). Such gifts should be credited in the "Deferred Gifts" section at both the residual (present) value recognized as eligible to be used in the calculation of the individual's tax credit and at the face (fair-market) value. For further guidance, see Revenue Canada's "Interpretation Bulletin IT-226R — Gifts to a Charity of a Residual Interest in Real Property or an Equitable Interest in a Trust."

Special Events: Organizations should follow the standards for reporting *quid pro quo* contributions when they hold an auction, benefit, golf tournament, tribute dinner, or other special event. They may then report any excess over the *quid pro quo* as a charitable contribution from the donor attending the event. (See "Quid Pro Quo Contributions," page 6.)

Trusts Administered by Others (Charitable Remainder Trusts): The value of the assets of gifts in trust that the organization or the donor has chosen to have administered by others should be reported in the "Deferred Gifts" section in the organization's gift totals for the year, provided the organization has an irrevocable right to all or a predetermined portion of the income or remainder interest. Report the gift at both the face (fair-market) value and the net present value.

Example: A donor creates a charitable remainder trust for an organization, naming a bank as the trustee, and provides a copy of the agreement to the not-for-profit organization named as a beneficiary. Report the two values of the trust in the year it is established or at such time as the terms of the trust become known to the organization. Calculate the amount as noted above in the sections on charitable remainder trusts, pooled income funds, and gift annuities.

Note: When an organization is in the position to report the dual values of a newly established gift in trust, as in the example above, the gift is cited in the appropriate source category under "Individuals," not in "Other Foundations and Trusts" (see "Sources"). Once the value of the asset has been reported, it should not appear again in a subsequent report — for example, after the death of an individual who set up a charitable remainder trust.

Note: Generally accepted accounting principles for organizations under the jurisdiction of the Government Accounting Standards Board (GASB) provide for omitting the assets of trusts administered by others from the organization's records as the preferred alternative to the above treatment. Generally accepted accounting principles for private, not-for-profit organizations require recognizing the assets and related revenue. Because an objective of the fund-raising activity reporting standards presented here is to measure annual fund-raising performance, these assets *should* be included in gift totals reported by public as well as private organizations.

Exclusions

The following types of funds should *not* be counted in annual reports of gift income, even if circumstances indicate that the payer regards them as a contribution.

- advertising revenue
- contract revenues, including sponsored research funds
- contributions from cities or regional governments, even though those entities may be incorporated
- discounts on purchases
- earned income, including transfer payments from medical or analogous practice plans
- government funds, whether local, state (including state matching grants), federal, or foreign
- investment earnings on gifts, even if accrued during the fund-raising reporting year and even if required within the terms specified by the donor. The only exception permitted is interest accumulations counted in guaranteed investment instruments that mature within the reporting year, such as zero-coupon bonds. *Note:* Investment earnings are reported in the organization's financial statements.
- membership fees or dues for which the individual receives equal benefits. If the fees or dues exceed the benefits, report them as a *quid pro quo* gift. If they equal the benefits, you may report them in the Supplementary Data Report for tracking purposes.
- sale of merchandise
- surplus income transfers from ticket-based operations, except for any amount equal to that permitted as a charitable deduction by the IRS or Revenue Canada
- testamentary commitments (bequest intentions)

CASE standards differ from the above, in that contributed services, membership fees and dues, and unconditional promises (pledges) are excluded from fund-raising management report totals.

Chapter 2: Definitions

These definitions are for use with Parts I, II, and III of the Gift Income Report. Use these same definitions of sources for the Campaign Report, discussed in Section II: Campaign Standards.

Sources

Sources of gifts are defined as those entities (individuals or donor organizations), by type, that transmit the gift or grant to the organization.

Credit to Last Entity

In most cases, where a contribution passes through several entities, cite as the source the last of the entities through which it passes before being received by the donee organization.

Examples: Identify a gift from the personal foundation of an individual as coming from "Foundations." Credit a gift from the business account of an individual under "Corporations and Businesses." Cite a contribution made by an individual through community agencies like United Way as coming from that organization. In all such instances, an organization will want to make a cross-reference notation (soft credit) in the individual's record when that information is available. Thus, although the gift will be credited in gift reports and financial statements to the foundation, business, or community agency, the organization can *recognize* the individual as having supported the organization.

Exceptions: For the purpose of this report, contributions from business firms made through their sponsored foundations, such as the Exxon Education Foundation or the General Electric Foundation, should be recorded as coming from "Corporations and Businesses." Affiliated foundations, associations, societies, and clubs organized solely for the support of the organization with which they are affiliated should be considered a part of the organization — that is, as simply a pass-through entity. Thus, a gift made by an individual to the organization's affiliated association is reported as a gift from that individual rather than as a gift from the affiliated association. Gifts from individuals made by payroll deduction or by a cashier's check should also be credited to the individual.

Another exception to the "credit to last entity" policy occurs when an individual assigns income due from a third-party organization for payment of services performed. In that case, although the check is issued by the third party, the individual should be credited for the gift.

In Canada, gifts received through a Crown Foundation should be reported as gifts from the Crown Foundation and not from the individual that gave the gifts to the Crown Foundation.

Individuals

When an individual can be considered to be in more than one of the categories listed below, the order of precedence should be as follows: leadership, membership, clients, other.

Clients (Parts I, II, and III, Column A, plus the Supplementary Data Report): Individuals whose primary allegiance to the charity is through its related purpose, for example, a family receiving counseling services. This category also includes clients' family members making a memorial gift.

Leadership (Parts I, II, and III, Column B, plus the Supplementary Data Report): Individuals who serve on a governing board or advisory committee of the national, regional, local, or other unit of the not-for-profit organization.

Membership (Parts I, II, and III, Column C, plus the Supplementary Data Report): Individual members of the organization as defined by the organization.

Other Individuals (Parts I, II, and III, Column D, plus the Supplementary Data Report): All persons who do not fit the categories of clients, leadership, or membership by the above definitions.

Donor Organizations

Chapters, Councils, etc. (Parts I and II, Column E): Report here contributions or grants, whether for a restricted or unrestricted purpose, from related organizations such as chapters, councils, or other such entities. If such an entity transfers money for some purpose other than making a gift or grant, and thus retains ownership with the provision of eventual return of the money to the entity, it is considered a pass-through transaction and should not be reported except as a footnote.

Corporations and Businesses (Parts I and II, Column F): Report here gifts from corporations, partnerships, and cooperatives that have been organized for profit-making purposes, including corporations owned by individuals or families and other closely held companies. This category also includes company-sponsored foundations — that is, those contribution programs created by business corporations and funded by their companies. Gifts from industry trade associations should also be included in this category.

Record matching gifts — gifts made by businesses that match the voluntary contributions of the firm's employees or other eligible participants — as coming from the business or corporation that made the payment rather than from the individual whose gift was matched. These gifts should be reported as unrestricted regardless of the purpose of the individual's gift that prompted the corporate match, unless the corporation states otherwise.

In Canada, even though cities or regional governments may be incorporated, do not report contributions from these entities in fund-raising management reports because the funds are government funds.

Note: If a donor operates a personal or family-owned business or is a participant in a partnership or cooperative, development officers should make a distinction between a gift made from the donor's business account and one from the donor's personal account. For the purpose of this report, credit a check drawn from a business account under the "Corporations and Businesses" category. As noted in the "Credit to Last Entity" section, organizations should make a cross-reference notation (soft credit) in the individual's record.

Certain private foundations carry names that may cause them to be confused with "Corporations and Businesses." For example, the Ford Foundation was established with the personal gifts of Henry and Edsel Ford, not by the Ford Motor Company; therefore, gifts from the Ford Foundation should be included in the totals reported under "Foundations." In contrast, the Ford Motor Company Fund, as well as the General Electric Foundation and the Quaker Oats Foundation, are company-sponsored foundations; their gifts should be reported under "Corporations and Businesses."

Contributions made by individuals through payroll deduction, which are transmitted to the organization by the individual's employer, should be credited to the individual.

Foundations (Parts I and II, Column G): This category includes personal and family foundations and other foundations and trusts that are private tax-exempt entities operated exclusively for charitable purposes. It does not include company-sponsored foundations, which fall under the category of "Corporations and Businesses."

Personal and family foundations are entities established and continuing to operate as the conduits for the charitable donations of an individual or the immediate members of a family. Other foundations and trusts are all private foundations and charitable trusts that meet the definition above, including most of the major private foundations — such as the Rockefeller, Johnson, and Kellogg foundations — and community foundations.

Note: Not all grant-making organizations that use the word "foundation" in their titles should be included in this category. The National Science Foundation and the Empire State Foundation, for example, are not *private* tax-exempt entities; they are tax-supported government agencies and, therefore, their grants should not be included in a report of private

voluntary support. For guidance on classifying specific foundations, consult the *Foundation Directory* (published by the Foundation Center, 888 Seventh Ave., New York, NY 10019), which cites the principal donor of each foundation's assets.

Fund-raising Consortia (Parts I and II, Column H): This category includes entities that have been formed by a group of cooperating institutions or organizations for the purpose of facilitating their fund-raising activities.

Examples: Art councils, combined health campaigns, the United Negro College Fund, the United Way, the Virginia Council of Independent Colleges, and other combined fund drives are considered fund-raising consortia. Gift income reports should not include funds from governmental agencies.

Other Donor Organizations (Parts I and II, Column I): Report here gifts from all donor organizations not defined above as "Foundations," "Corporations and Businesses," or "Fund-raising Consortia" other than governmental agencies. Examples are such entities as civic and social organizations — for example, Rotary Club, Junior League, Chamber of Commerce, and others.

Donor Purposes

The term "donor purposes" refers to the purposes or specific uses for which gifts or grants have been made, as directed by the donors.

Current Gifts and Unconditional Promises (Pledges) for Current Operations (Part I of the Gift Income Report)

This section of the Gift Income Report includes only current gifts and the net present value of the unconditional promises (pledges) given specifically for the current fiscal year operations and the current year allocation of those gifts and pledges restricted to a specific current use, such as the maintenance costs of a particular department or research in a designated field. (Report deferred gifts in Part III.)

Unrestricted (Part I, Line A): Report the total current gifts and unconditional promises (pledges), *including realized bequests*, given by donors without any restriction — regardless of any subsequent designation or use by the organization, such as for current operations, for an endowment, or for facility construction. In cases where the donor expresses a preference for the gift's use but leaves the decision to the organization, report the gift as *unrestricted.*

For purposes of this report, report matching gifts from corporations and business organizations as *unrestricted* unless the donor organization states otherwise. (For more information on matching gifts, see "Corporations and Businesses" under "Sources," page 12.)

Restricted (Part I, Line B): Report the total current year allocation of gifts and unconditional promises (pledges) for current operations that have been restricted by the donor for the purposes listed in lines B.1 through B.9.

For purposes of these reports, gifts or promises on which donors have placed restrictions for use are considered restricted gifts, either temporarily or permanently restricted. Temporarily restricted gifts are those that the donor intends to be used for current or planned programs; the gift may be made for multiple years. Permanently restricted gifts are those that are placed in the endowment; these are addressed in the sections on "Endowment," below.

Unlike conditional promises to give, restricted gifts are *not* dependent upon the occurrence of a specified future and uncertain event.

Department (Part I, Line B.1): Report current gifts and pledges restricted for use by a particular department or administrative unit of the organization.

Library (Part I, Line B.2): Report current gifts and pledges for current operations restricted to the acquisition, restoration, and preservation of books, periodicals, manuscripts, maps, audiovisual equipment, and other materials and activities appropriate to a library. *Note:* Gifts for staff salaries should be reported under "Staff Compensation." Gifts for operation and maintenance of the library should be reported under "Operation and Maintenance of Physical Plant."

Operation and Maintenance of Physical Plant, Camps, etc. (Part I, Line B.3): Report current gifts and unconditional promises (pledges) for current operations restricted to the ongoing operation of the physical plant, camp, etc., including its buildings and grounds, other facilities, and equipment.

Programs or Projects (Part I, Line B.4): Report current gifts and unconditional promises (pledges) to a particular operating program or project.

Public Service (Community Benefit) (Part I, Line B.5): Report current gifts and unconditional promises (pledges) received for current operations and restricted to the support of activities established primarily to provide services to people and groups within or outside the organization. Examples of such activities are community service programs and other programs that are performed in cooperation with community groups or independently, including services provided for free by the not-for-profit organization.

Research (Part I, Line B.6): Report current gifts and unconditional promises (pledges) for current operations restricted to scientific, technical, and humanistic investigation. This category includes private grants (gifts) for individual and/or project research as well as grants for institutes and research centers. It does *not* include corporate grants or contracts for programs in which the grantor receives a product or service commensurate with the fee paid; nor does it include government grants or contracts for sponsored programs. Government grants, contracts and awards, whether local, state (including state matching grants), federal, or foreign, should not be included in gift income reports.
Note: For further help in distinguishing between grants, contracts, and contributions, see "Grants and Contracts" under "Standards for Reporting Specific Types of Gifts," page 4, and Appendix D.

Scholarships (Part I, Line B.7): Report current gifts and pledges for current operations that the donor has restricted to scholarships. Scholarships might be given for individuals to attend various programs such as camps, preschool and after-school activities, conferences or workshops, staff training, or continuing education classes.
Note: If a donor channels funds through the donee organization to support a specified person named by the donor, these funds are not gifts to the not-for-profit organization and should not be reported as gift income anywhere in these reports.

Staff Compensation (Part I, Line B.8): Report current gifts and unconditional promises (pledges) for current operations that the donor has restricted to staff salaries and employment benefits.
Note: Gifts made to support lecture series and consultants should be reported under "Other Restricted Purposes." As a convenience, gifts made for salaries as part of a larger grant in support of a research project may be credited under the "Research" category.

Other Restricted Purposes (Part I, Line B.9): Report all current gifts and unconditional promises (pledges) for current operations that are restricted to specific uses that cannot be classified in any of the restricted categories listed in lines B.1 through B.8.

Total, Current Operations (Part I, Line C): Report the total support in current gifts and unconditional promises (pledges) for current operations.

Current Gifts and Unconditional Promises (Pledges) for Capital Purposes (Part II of the Gift Income Report)

This section of the Gift Income Report includes only current gifts and unconditional promises (pledges) for such purposes as property, buildings, equipment, endowment funds, and loan funds. (Report deferred gifts in Part III.)

Property, Buildings, and Equipment (Part II, Line A): In this category, report the following:

- current gifts and unconditional promises (pledges) of both real and personal property for the use of the organization;
- gifts and unconditional promises (pledges) made for the purpose of purchasing buildings, other facilities, equipment, and land for use of the organization;
- gifts and unconditional promises (pledges) restricted to construction or major renovation of buildings and other facilities; and
- gifts and unconditional promises (pledges) made for retirement of indebtedness.

Endowment (Part II, Lines B and C): Endowment funds are funds that donors specify are to be retained and invested permanently for income-producing purposes. The income from endowments can be either restricted or unrestricted, based on donor direction. Income cannot be added to an endowment unless specified by the donor or permitted by a ruling of the attorney general in the state of jurisdiction.

A gift of property that is not used for the organization's purposes but is producing income available to the organization's program(s) may function as an endowment. A gift of property that is retained for future sale or development should also be considered endowment if so designated by the donor, even though earned income from the property may be deferred until its sale or development, unless the donor specifies that the net proceeds from the sale are to be used for current purposes.

Endowment — Unrestricted (Part II, Line B): Report here current gifts and unconditional promises (pledges) restricted by the donor for endowment but for which the donor has made no restriction regarding the use of the income produced by the endowment, regardless of any subsequent allocation or use of the income the organization may make.

Endowment — Restricted (Part II, Line C): Report here those current gifts and unconditional promises (pledges) restricted by the donor for endowment, the income from which is restricted for a specific purpose by the donor.

Note: Organizations should maintain records of endowment gifts by purpose and report them in the Supplementary Data Report, line III.A.

Loan Funds (Part II, Line D): Report current gifts and unconditional promises (pledges) restricted by donors for use as loans to individuals as defined by the policy of the donee organization.

Total, Capital Purposes (Part II, Line E): Report the total support in current gifts and unconditional promises (pledges) for capital purposes.

Deferred Gifts and Unconditional Promises (Future Commitments) (Part III of the Gift Income Report)

This section covers only deferred gifts (also referred to as planned gifts) received in the reporting period. Such gifts include charitable gift annuities, charitable remainder trusts (including those administered outside the organization), gifts to pooled income funds, and remainder interests in property. Deferred gifts should be reported at both the net present value and face (fair-market) value in Part III of the Gift Income Report. See Appendix B for an explanation of net present value.

Endowment — Unrestricted (Part III, Line A): Report those deferred gifts and unconditional promises (pledges) restricted by donors for endowment but not bearing any restriction from the donor regarding the use of the income the endowment produces, regardless of subsequent allocation by the organization.

Endowment — Restricted (Part III, Line B): Report those deferred gifts and unconditional promises (pledges) restricted by the donor for endowment, the income from which is restricted for a specific purpose by the donor.

Other Purposes (Part III, Line C): Report those deferred gifts and unconditional promises (pledges) that donors have *not* restricted to endowment.

Total, Deferred Gifts (Part III, Line D): Report the total amounts of deferred gifts and unconditional promises (pledges) at both the net present value and face value.

Supplementary Data Report

The Supplementary Data Report provides supplementary information on the performance and results of the fund-raising program. Most of the report deals with tracking additional information of interest to managers regarding philanthropic funds raised. However, any public funds received by the organization may be recognized in line III.E. Public funds may not be included in the Gift Income Report as they are not philanthropic (gift) support.

Clients (Supplementary Data Report, Line 1.A.1): See page 12 for definition.

Leadership (Supplementary Data Report, Line 1.A.2): See page 12 for definition.

Membership (Supplementary Data Report, Line 1.A.3): See page 12 for definition.

Other Individuals (Supplementary Data Report, Line 1.A.4): See page 12 for definition.

Individuals of Record (Supplementary Data Report, Line 1.B): Living persons carried in the organization's mailing lists and donor and prospective donor file for whom there are current addresses.

Governing Board Members (Supplementary Data Report, Line I.F): Current, emeritus, and honorary members of the governing board or the organization's related foundation.

Participation Calculation for Individuals: To calculate the organization's individual participation rate, divide the total number of individual donors by the total number of living individuals of record in a particular category for whom the organization has good addresses. If the organization does not keep records in separate categories, use the total number of individuals.

Charitable Remainder Trusts, Gifts to Pooled Income Funds, and Gift Annuities (Supplementary Data Report, Line I.G): Include charitable remainder annuity trusts and unitrusts (regardless of what type of property is used to fund the trust), gifts to a pooled income fund, and gift annuities at the net present value.

Foundations (Supplementary Data Report, Line II.A): See page 13 for definition.

Corporations and Businesses (Supplementary Data Report, Line II.C): See page 12 for definition.

Corporate/Business Matching Gifts (Supplementary Data Report, Line II.C.3): Gifts made by businesses that match the voluntary contributions of the firm's employees or other eligible participants.

Unconditional Promises (Pledges) (Supplementary Data Report, Line III.B): Report the number and amounts of gifts promised but not received from the donor. Include unconditional promises obtained during the fiscal year but still outstanding at the end of the year regardless of the promised payment date. Include the net present value of such promises estimated to be collected in future years.

Life Insurance Policies (Supplementary Data Report, Line III.C): The face value of life insurance policies should not be counted in gift income reports before the death of the donor. If the organization is named owner and irrevocable beneficiary of the life insurance policy, you may report the face value in this Supplementary Data Report only. Also report here the number of policies received, the cash surrender value, the amount of premiums paid by the donor, and the amount of premiums paid by the organization.

Testamentary Commitments (Bequest Intentions or Expectancies) (Supplementary Data Report, Line III.D): Testamentary commitments (bequest intentions or expectancies) should not be counted in gift totals in gift income reports. However, in this Supplementary Data Report, you may report any provisions made in wills (or through revocable trusts) during the fiscal year for which the organization has documentation. Documentation might include a photocopy of the pertinent portion of the will or trust document or a letter from the donor or the donor's attorney describing the commitment and its estimated or specified ultimate financial value to the organization. Do not include provisions that name the organization as a contingent beneficiary.

Public Funds (Supplementary Data Report, Line III.E): Grants received from local, state (including state matching grants), federal, or foreign governments may be reported here. Do not include these funds in gift income reports.

Other Organizational Data (Supplementary Data Report, Line III.F): Report the organization's annual budget for the fiscal year being reported, and the market value of the endowment.

ANNUAL GIVING GIFT INCOME REPORT: Gifts and Unconditional Promises (Pledges) by Donor Purposes and Sources

	CURRENT GIFTS AND UNCONDITIONAL PROMISES (PLEDGES) AT FACE VALUE (DO NOT INCLUDE DEFERRED GIFTS)																		
	INDIVIDUALS								DONOR ORGANIZATIONS										
	A		B		C		D		E		F		G		H		I		
	CLIENTS		LEADERSHIP		MEMBERSHIP		OTHERS		CHAPTERS		CORPORATIONS & BUSINESSES		FOUNDATIONS		FUND-RAISING CONSORTIA		OTHERS		TOTAL CURRENT GIFTS AND UNCONDITIONAL PROMISES (PLEDGES) AT FACE VALUE
PART I: CURRENT GIFTS AND UNCONDITIONAL PROMISES (PLEDGES) FOR CURRENT OPERATIONS	G	P	G	P	G	P	G	P	G	P	G	P	G	P	G	P	G	P	
A. Unrestricted																			
B. Restricted (total) (1 through 9):																			
1. Department																			
2. Library																			
3. Operation and maintenance of physical plant, camps, etc.																			
4. Programs or projects																			
5. Public service (community benefit)																			
6. Research																			
7. Scholarships																			
8. Staff compensation																			
9. Other restricted purposes																			
C. Total current operations (A and B)																			
PART II: CURRENT GIFTS AND UNCONDITIONAL PROMISES (PLEDGES) FOR CAPITAL PURPOSES																			
A. Property, buildings, and equipment																			
B. Endowment—unrestricted																			
C. Endowment—restricted																			
D. Loan funds																			
E. Total, capital purposes (A through D)																			

G = Gifts
P = Unconditional promises (pledges)

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ANNUAL GIVING GIFT INCOME REPORT: Gifts and Unconditional Promises (Pledges) by Donor Purposes and Sources (Continued)

PART III: DEFERRED GIFTS AND UNCONDITIONAL PROMISES (FUTURE COMMITMENTS)

	DEFERRED GIFTS AND UNCONDITIONAL PROMISES (FUTURE COMMITMENTS) AT FACE VALUE AND NET PRESENT VALUE																	
	INDIVIDUALS																	
	A				B				C				D					
	CLIENTS				LEADERSHIP				MEMBERSHIP				OTHERS				TOTAL DEFERRED GIFTS & PROMISES AT FACE VALUE (FV)	TOTAL DEFERRED GIFTS & PROMISES AT NET PRESENT VALUE (NPV)
	G	P	G	P	G	P	G	P	G	P	G	P	G	P	G	P		
	FV		NPV		FV		NPV		FV		NPV		FV		NPV			
A. Endowment—unrestricted																		
B. Endowment—restricted																		
C. Other purposes																		
D. Total deferred gifts																		

SUMMARY REPORT

	SUMMARY REPORT																				
	INDIVIDUALS								DONOR ORGANIZATIONS												
	A		B		C		D		E		F		G		H		I				
	CLIENTS		LEADERSHIP		MEMBERSHIP		OTHERS		CHAPTERS		CORPORATIONS & BUSINESSES		FOUNDATIONS		FUND-RAISING CONSORTIA		OTHERS				TOTAL CURRENT AND DEFERRED GIFTS & PROMISES AT FACE VALUE (FV)
	G	P	G	P	G	P	G	P	G	P	G	P	G	P	G	P	G	P			
A. Total current gifts and promises for current operations at face value (part I, line C)																					
B. Total current gifts and promises for capital purposes at face value (part II, line E)																					
C. Total deferred gifts and promises at face value (part III, FV columns, line D)																					
D. Grand total of support at face value																					

G = Gifts
P = Unconditional promises
FV = Face value
NPV = Net present value

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SUPPLEMENTARY DATA REPORT OF ANNUAL GIVING

Report the number of individuals or entities who have contributed and the total amount they contributed, not the number of payments or multiple contributions from those individuals or entities. For definitions, please see page 11.

I. Gifts and Unconditional Promises from Individuals

A. Gifts and unconditional promises from individuals for all purposes	Number of donors	Amount
1. Clients	_____	$ _____
2. Leadership	_____	$ _____
3. Membership	_____	$ _____
4. Other individuals	_____	$ _____
5. Total	_____	$ _____

B. Individuals of record	Number of record
1. Clients	_____
2. Leadership	_____
3. Membership	_____
4. Other individuals	_____
5. Total	_____

C. Individuals contributing gifts and unconditional promises for current operations	Number of donors	Amount
1. Clients	_____	$ _____
2. Leadership	_____	$ _____
3. Membership	_____	$ _____
4. Other individuals	_____	$ _____
5. Total	_____	$ _____

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SUPPLEMENTARY DATA REPORT OF ANNUAL GIVING (Continued)

D. **Individuals contributing gifts and unconditional promises for all purposes**	**Number of donors**	**Amount**
1. Through estate settlements	_____	$ _____
2. From living individuals	_____	$ _____
3. Total	_____	$ _____

E. **Value of three largest gifts and unconditional promises from individuals**			
1. From living individuals	$ _____	$ _____	$ _____
2. Through estate settlements	$ _____	$ _____	$ _____

F. **Governing board members (current and honorary) contributing gifts and unconditional promises for current operations or capital purposes**	**Number of donors**	**Amount**
	_____	$ _____

G. **Deferred gifts (future commitments): Charitable remainder trusts, gifts to pooled income funds, and gift annuities**	**Number**	**Amount**
1. Number established	_____	
2. Face value		$ _____
3. Net present value		$ _____

II. **Gifts and Unconditional Promises (Pledges) from Donor Organizations**	**Number of donors**	**Amount**
A. **Contributions from foundations**	_____	$ _____
B. **Three largest gifts and unconditional promises from above foundations**	$ _____	$ _____ $ _____

SUPPLEMENTARY DATA REPORT OF ANNUAL GIVING (Continued)

C. Gifts and unconditional promises (pledges) from corporations/businesses

1. Three largest gifts and unconditional promises from corporations/businesses	$ _____	$ _____	$ _____
	Number		**Amount**
2. Number of corporations/businesses contributing and dollar value of contributions (exclude matching gifts)	_____		$ _____
a. Number and dollar value of company products	_____		$ _____
b. Number and dollar value of other property	_____		$ _____
3. Number of matching gifts from corporations/businesses and total amount	_____		$ _____

III. Other Fund-Raising and Related Data

A. Gifts by donors for endowment

1. Department	$ _____
2. Library	$ _____
3. Operation and maintenance of physical plant, camps, etc.	$ _____
4. Programs and projects	$ _____
5. Public service	$ _____
6. Research	$ _____
7. Scholarships	$ _____
8. Staff compensation	$ _____
9. Other restricted purposes	$ _____
10. Total	$ _____

B. Unconditional promises (pledges)

	Number of donors	**Amount**
1. Outstanding promise balances for current operations	_____	$ _____
2. Outstanding promise balances for capital purposes	_____	$ _____

SUPPLEMENTARY DATA REPORT OF ANNUAL GIVING (Continued)

C. **Life insurance policies**	**Number of policies**	**Amount**
1. Cash surrender value	_____	$ _____
2. Face value		$ _____
3. Amount of premiums paid by donors		$ _____
4. Amount of premiums paid by organization		$ _____

D. **Testamentary commitments (bequest intentions) (not to be included in Gift Income Reports)**	**Number of donors**	**Amount**
1. Persons who have made provision for the institution in their estate plans through their will during the fiscal year	_____	
2. Face value of such provisions		$ _____
3. Net present value of such provisions		$ _____

E. **Public funds (not to be included in Gift Income Reports)**	**Number**	**Amount**
Grants from local, state (including state matching grants), federal, or foreign governments	_____	$ _____

F. **Other organizational data (as of end of reporting fiscal year)**	**Amount**
1. Annual operating budget of not-for-profit foundation or beneficiary organization	$ _____
2. Market value (not book value) of endowment	$ _____

SECTION II. CAMPAIGN STANDARDS

Chapter 3: Why Organizations Need Campaign Standards

The capital or comprehensive fund-raising campaign, sometimes referred to as a philanthropic or strategic campaign, is a vehicle for focusing attention upon the plans, vision, and needs of a not-for-profit organization on behalf of its mission to serve its clients. A campaign is thus an important event in the life of any organization striving for greater financial stability and excellence.

The recent trend toward campaigns that raise hundreds of millions or even billions of dollars has boosted the visibility of fund raising in general and the role of campaigns in particular. This visibility has also heightened the pressure on fund raisers and financial managers to ensure the success of their campaigns.

Together with the public at large, the organization's constituents want and deserve to know exactly what impact such campaigns will have on their organizations. No matter how simple or complex a campaign is, or whether it is measured in thousands or in millions of dollars, it is of vital importance that organizations have two measures of campaign performance: first, an objective way to compare one campaign to another, and second, a rational way to discern how well any given campaign has met the goals that spurred the organization to conduct the campaign in the first place.

The campaign standards presented here address issues of campaign management and measurement. They are designed to establish standards for managing campaigns and for reporting campaign gifts in the United States and Canada. Such standards should help organizations articulate the impact of any given campaign to various constituencies and help avoid inaccurate comparisons between campaigns of different types and with different purposes.

These standards depend upon three fundamental principles:

1. Campaign reports should separate results by (a) the campaign's featured objectives and (b) the campaign's other objectives. Every campaign is designed to help meet specific objectives. Although all organizations have many ongoing needs for outside funding, those specifically featured in the campaign priorities list or case statement are considered "featured objectives."
2. Campaign reports should separate current gifts and unconditional promises (pledges) from deferred gifts and unconditional promises the organization expects to receive after the solicitation and pledge-payment periods end.

3. The reports should record deferred gifts and unconditional promises at both their face (fair-market) value and their discounted net present value. (See Appendix B for an explanation of net present value.)

All of these measures are important to helping the organization's trustees, other volunteers, donors, administrators, and the general public reach a common understanding of the true impact of campaign fund raising.

These standards are rooted in two important convictions. One is that how well a campaign meets its objectives is far more important than the size of its dollar goal. The other is that success should be measured primarily in terms of how well the organization meets its own objectives and uses these funds to fulfill its unique mission. The National Society of Fund Raising Executives (NSFRE) and the Council for Advancement and Support of Education (CASE), from whose campaign management reporting standards these are adapted, believe that setting high standards for conducting campaigns and reporting their results will strengthen and protect philanthropy and enhance public confidence and trust in the important work of not-for-profit organizations.

The campaign fund-raising activity reports provided here can help an organization measure how well a campaign meets its objectives. Three sample campaign report forms begin on page 45.

The Report of Cumulative Campaign Activity takes the form of a questionnaire that presents information about the organization and its campaign.

Campaign Report I is a form for reporting a campaign's cumulative financial results in three primary columns plus two columns for totals, as follows:

1. current gifts and unconditional promises (pledges) reported at face value;
2. deferred gifts and unconditional promises (future commitments) reported at face (fair-market) value for featured objectives and other objectives;
3. deferred gifts and unconditional promises (future commitments) reported at the gift's discounted net present value for featured objectives and other objectives;
4. the sum of 1 and 2 above, and
5. the sum of 1 and 3 above.

Discounting to net present value will represent a substantial change from past practice for many not-for-profit organizations. However, many people strongly support the use of present-value discounting as a more realistic indicator of the value these dollars will have in the future, when the organization actually is able to spend them. This method also accounts for any payout obligations to the donor.

The third form, Campaign Report II, is a cash-flow projection report.

Chapter 4: Campaign Management Standards

Campaigns are a means by which organizations intensify for a finite period their efforts to raise contributions for specific purposes. The time period can be as short as six months or as long as seven years. A campaign might seek support for a single capital objective, such as the construction of a building, or be a multipurpose undertaking. It might seek both cash and intricate deferred gifts, to apply to current operations and a variety of capital purposes including building construction, renovation, and endowments. Whether a campaign is simple or complex, for a small not-for-profit or a large multifaceted organization, the effectiveness with which the campaign meets its objectives is far more important than the size of its dollar goal.

The scope and complexity of today's campaigns, the sophisticated knowledge required to understand and manage them, and their promotional nature can create misunderstanding about the purposes of a campaign and what it will actually achieve. When an organization conducts planning, identifies its crucial objectives, sets a goal that is expected to fund these objectives, and reports that it has attained the objectives, then the administration, trustees, other volunteers, employees, and donors may assume that the organization's ability to achieve its mission has been assured. Too often, the reality has been that the funding problems were not solved. Contributing to this misperception was the fact that deferred gifts have often been reported at the fair-market value of the asset on the date of the commitment rather than at its net present value. This and other factors have left members of the community and the general public confused and dissatisfied over the accomplishments of campaigns. The following recommendations are designed to help avoid such concerns.

Campaign Design

Care should be taken to design a campaign that reconciles the plans, vision, and objectives of the organization with the needs of its clients and the interest and capacity of its constituencies to fund them. The design must also take into account the strength of the fund development program, including the amounts of resources that have been and will be devoted to it. Organizations should focus their attention on what can realistically be achieved when deciding on campaign objectives, the length of the advance-gifts phase (also known as the nucleus fund), and the duration of the public phase.

Campaign Plan

A written plan should be prepared and reviewed by all appropriate bodies of the organization. This document should describe, at a minimum:

- the organization's financial plans, vision, and objectives that will be addressed;
- the campaign reporting policies to which the organization will adhere, including the treatment of unconditional promises to give (pledges), deferred gifts, and gifts-in-kind;
- the manner in which exceptions to those policies will be considered and acted on;
- the tentative goal for featured objectives (usually endowment and construction) and other objectives (usually expendable program support and annual giving revenues);
- an objective analysis of the fund-raising potential of the organization;
- the purpose and duration of the advance-gifts phase of the campaign; and
- the duration of the public phase of the campaign.

The plan should be approved formally by the fund development or campaign committee organized to assist in planning the campaign and the appropriate governing board of the organization. It also should be reviewed by all other interested bodies of the organization. The advance-gifts phase of a campaign cannot begin until the campaign plan is approved, and the organization should not reach back and credit to its campaign any gifts that were received before the plan's endorsement unless, *because of special circumstances,* the approved plan calls for crediting prior gifts. If so, the terms should be clearly stated. *Example:* A donor offers $3 million for a planned new wing to a facility, now in preliminary design, if the organization will proceed with a $15 million campaign to pay for it.

Campaign Purposes

Campaign planners should keep in mind that campaigns can achieve several purposes and should design their campaigns with all those purposes in mind. These include articulating and disseminating the case for support of the organization; defining priority needs; nurturing the development program and staff; broadening and deepening volunteer participation; and strengthening the working relationship among the organization's volunteer leadership, including its governing board, administration, and friends.

Planners should also remember that no campaign is the last campaign, taking care to conduct the campaign in a way that serves the organization's best long-term interests. Neither the needs of the organization nor the results achieved by the campaign's success should be exaggerated. It should be made clear that high participation — by young as well as more mature

donors, by persons of modest means as well as the wealthy — will be an important factor in the campaign's success. The gratitude of the organization and those volunteers working on its behalf should be communicated promptly and graciously to all who make gifts. All campaign volunteers should be kept informed of the campaign's progress in a systematic way and recognized publicly for their important role.

Finally, campaign planners should prepare for the work that needs to be handled after the campaign's formal conclusion. Volunteers need to be thanked, unconditional promises (pledges) collected, and reports compiled and distributed. Most important, planners must think seriously and imaginatively about ways to maintain the valuable relationships with donors and volunteers established in the course of the campaign — and to nurture and strengthen those relationships in the years that follow.

Campaign Marketing

Campaign marketing should be proportional to the organization's requirements. Campaign case statements and other literature or presentations should inspire and motivate donors, but they should not distort the organization's accomplishments, characteristics, or capabilities. Campaign managers should also be careful to balance the marketing of outright and deferred support in their presentations. Both types of gifts may play an important role in a well-rounded campaign, and both should be given visibility.

Campaign Recognition

Campaign managers should take special care to devise appropriate ways of recognizing all contributors during a campaign, keeping in mind Internal Revenue Service regulations on *quid pro quo* contributions (see "Quid Pro Quo Contributions," page 6) and contribution acknowledgment, even for those donors whose gifts technically fall outside what is appropriately counted according to the following standards. For example, these standards preclude counting testamentary promises (bequest intentions) of any type in campaign totals. However, individuals who make such commitments during the campaign still should receive some recognition for having responded to the organization's request for increased support. Many organizations recognize testamentary commitments through a special recognition society of some type — for example, a "Heritage Society" — that is designed for future gifts.

Chapter 5: Campaign Reporting Standards

Time Periods

Campaign Period: For purposes of these standards, the campaign period is the total time encompassed by the active solicitation period for the campaign, including the advance-gifts phase. These standards recommend that no campaign period exceed seven years in duration. Generally speaking, shorter campaign periods are preferable to longer ones.

Unconditional Promises to Pay (Pledges) Payment Period: The period in which donors may fulfill their unconditional promises of gifts to a campaign should not exceed five years.

Fundamental Principles of Campaign Counting

The following basic principles for counting campaign gifts apply to all organizations and all types of campaigns.

- Only those gifts and unconditional promises (pledges) actually received or committed during the specific period of time identified for the campaign (a period up to seven years including the advance-gifts phase) should be counted in campaign totals.
- The advance-gifts phase of a campaign is always part of the designated campaign period, and commitments reported for this phase must actually have been received or promised (pledged) during this specified period within the campaign time frame.
- A gift or promise (pledge) may be counted in only one campaign.
- The value of any canceled or unfulfilled promise (pledge) must be subtracted from campaign totals when the determination is made that it will not be realized.

Advance-Gifts (Nucleus-Fund) Phase

The advance-gifts or nucleus-fund phase is the period of time before public announcement of the campaign, or of the campaign's official goal, when pace-setting gifts are sought from individuals and organizations closest to the organization. As indicated above, the advance-gifts phase should be considered a part of the campaign period. Defining the advance-gifts phase as part of the campaign period will also help ensure that so-called "reach-back" gifts are not counted without full disclosure of special circumstances that are part of the board-approved plan.

It is preferable to limit credit for gifts received in the advance-gifts phase to gifts given for featured objectives, thereby strengthening the focus of campaign efforts and eventual results. Another approach is to have a comprehensive advance-gifts phase, during which *all* gifts and

unconditional promises (pledges) for the campaign are counted. If this approach is adopted, it is crucial that campaign managers explain to the organization's personnel and campaign volunteers that reported results will somewhat inflate the true impact of the campaign effort.

Whichever method is used, these key principles apply:

- The advance-gifts period should be limited to a set number of months or years.
- This period of time should be included as part of the total campaign duration.

What to Report

All gifts and unconditional promises (pledges) falling into categories covered by these standards may be reported. The spirit of these standards is, however, that it is not appropriate to report only one total number when announcing campaign results. As a minimum, the following results should be reported to the organization's governing board:

1. *the total of current gifts and unconditional promises (pledges) received, reported at face (fair-market) value,* and payable within the campaign period and post-campaign accounting period as specified in the campaign plan;
2. *the total of deferred gifts and unconditional promises (future commitments),* reported at face (fair-market) value, that will be received at an undetermined time in the future;
3. *the total of deferred gifts and unconditional promises (future commitments),* discounted to net present value, that will be received at an undetermined time in the future;
4. the grand total of 1 and 2 above, and
5. the grand total of 1 and 3 above.

Additionally, totals for the campaign's featured objectives vs. other campaign objectives are appropriate in most campaign reporting. Both campaign staff and counsel should take pains to ensure that campaign publicity clearly states the results of the campaign in accordance with these two categories.

When to Report Gifts

Outright gifts should be reported only when assets are transferred irrevocably to the organization or an organization's related foundation. Irrevocable deferred gifts should be reported only when assets are transferred.

How to Report Gifts

The campaign report forms at the end of this chapter are the basic tools for reporting campaign activity. Campaign Report I (page 47) summarizes results by campaign objectives and sources; separates current gifts and unconditional promises (pledges) to be received during the campaign solicitation period or the immediate post-campaign accounting period from irrevocable deferred gifts (commitments of funds to be received at some indeterminate time in the future); and records deferred gifts at both the face (fair-market) value and at net present value.

Campaign Report II (page 48) summarizes gifts, unconditional promises (pledges), and deferred gift arrangements by type, according to when they will be received by the organization. This cash-flow projection report is important to the organization's budget planners and other people interested in understanding the immediate and future impact of a campaign on the organization.

Unconditional Promises to Give (Pledges)

Oral Promises: Oral promises should *not* be reported in campaign totals. On the rare occasion when special circumstances may warrant making an exception, the development officer should write to the individual making an oral promise to document the commitment, place a copy of the written commitment in the donor's file, and then gain specific written approval to accept the oral promise from a gift acceptance committee made up of the organization's management and volunteer representatives.

Unconditional Promises of Cash: Promises of cash should be in writing and should commit to a specific dollar amount that will be paid according to a fixed time schedule. The unconditional promise payment period, regardless of when the promise is made, should not exceed five years. Therefore, an unconditional promise received even as late as the last day of the campaign is counted in campaign totals and may be paid over a five-year period that follows the end of the campaign.

Exclusions

The following types of funds should be excluded from campaign report totals, even if received under circumstances indicating that the payor regarded them as a contribution.

- advertising revenue
- contract revenues, including sponsored research funds
- contributions from cities or regional governments, even though these entities may be incorporated
- discounts on purchases

- earned income, including transfer payments from medical or analogous practice plans (*Note:* Earned income is reported in the organization's financial statements)
- gifts or pledges, outright and deferred, already counted in previous campaigns, even if realized during the campaign reporting period
- government funds, whether local, state (including state matching grants), federal, or foreign
- investment earnings on gifts, even if accrued during the campaign reporting period and even if required within the terms specified by the donor. The only exception permitted is interest accumulations counted in guaranteed investment instruments that mature within the time frame of the campaign, such as zero-coupon bonds (*Note:* Investment earnings are reported in the organization's financial statements)
- membership fees or dues for which the individual receives equal benefits. If the fees or dues exceed the benefits, report them as a *quid pro quo* gift. If they equal the benefits, you may report them in the Supplementary Data Report for tracking purposes.
- sale of merchandise
- surplus income transfers from ticket-based operations, except for any amount equal to that permitted as a charitable deduction by the Internal Revenue Service (IRS) or Revenue Canada
- testamentary commitments (bequest intentions)

Do not report government funds in campaign totals. It is recognized that certain state and federal government programs requiring private matching funds bear a special relationship to the encouragement of philanthropy. Nevertheless, the difference between public and private support is profound. Campaigns are clearly instruments of philanthropy; governments are channels for the implementation of public policy. Although both philanthropy and public policy may be motivated by compassion for others, only philanthropy involves the disposition of privately held resources for the public good.

CASE campaign standards exclude counting contributed services and membership fees and dues from fund-raising management reports; they do allow testamentary commitments to be included in campaign totals under certain specified conditions.

Standards for Reporting Certain Types of Gifts and Unconditional Promises (Pledges)

Cash: Report the amount of cash gifts as of the date the organization receives them. For gifts denominated in foreign currencies, compute the value based on the exchange rate in effect on the date of receipt.

Charitable Gift Annuities: In the charitable gift annuity transaction, a person irrevocably transfers to an organization some property, such as securities, and the organization agrees in a contract to pay the donor or other beneficiaries a guaranteed annuity for life. Because the transferred property has a value larger than the value of the annuity, the transaction is partly the purchase of an annuity from the organization and partly a gift to the organization.

Because the organization will not receive the gift portion until the death of the final income beneficiary, report gift annuities as deferred gifts (future commitments). The face (fair-market) value amount transferred should be reported in Campaign Report I, column II, and the amount allowable as a deduction under the U.S. federal tax law — the face (fair-market) value minus the net present value of the annuity — should be reported in column III.

In Canada, the amount recorded on the individual's tax receipt — to be used in the calculation of the individual's tax credit and to be reported by the organization in the net present value column under deferred gifts — is the purchase price of the annuity less the expected return (life expectancy multiplied by the annual income). For further guidance, see Revenue Canada's "Interpretation Bulletin IT-111R2 — Annuities Purchased from Charitable Organizations."

Charitable Lead Trusts: Because charitable lead trusts are not deferred gifts, but are immediate gifts in trust that pay over a period of time, the calculation of values here is slightly different than for a charitable remainder trust or a pooled income fund. For lead trusts whose terms extend five years or less, the face value as described in this section may be reported under the "Current Gifts and Unconditional Promises" section of campaign totals.

For charitable lead trusts that extend beyond five years, the organization should report amounts beyond the first five-year "gifts and pledges" value both at remaining face value of the income stream in column II and at the discounted net present value of the *remaining* income stream in column III.

For the purpose of campaign reports, face value of the charitable lead annuity trust is the aggregate of annuity dollars to be received by the organization for the term of the charitable lead annuity trust. *Remaining* face value is the aggregate of annuity dollars to be received for all years beyond the first five-year pledge period.

The face (fair-market) value of the lead unitrust is more difficult to ascertain because the trust value for each year of the trust term is an unknown; thus, the total amount to be received by the organization is also unknown. A credible estimate of the total income to be received from a charitable lead unitrust should be made using as the trust's earnings the Applicable Federal Rate (AFR) for the month in which the trust was funded. Use of the AFR for estimating lead unitrust earnings (and therefore trust values) is consistent with reporting for remainder trusts and will obviate arbitrary selection of assumed earnings rates among organizations.

Thus, the unitrust's yearly values will be deemed to grow or shrink over the years of the trust term depending on the relationship of the trust to the organization as compared to the AFR. Then, based on trust values, trust payouts to the organization can be estimated. The aggregate of payouts is, for this purpose, the face value. *Remaining* face value is the total amount to be received for all years beyond the first five-year pledge period. This latter amount is reported in Campaign Report I, column II.

Discounted net present value for both types of lead trusts should be the amount allowable as a deduction (for either income or gift/estate tax purposes). To calculate the *remaining* discounted net present value for the trust term beyond the five-year pledge reporting period, use the net present value of the full-trust term minus the net present value of the five-year term.

This will require two separate net present value calculations, one for the full-trust term and the other as if the lead trust were to run only for five years. Subtract the five-year discounted value from the discounted value of the full term to find the *remaining* discounted value of the trust term beyond the five-year pledge period. This *remaining* net present value is reported in column III.

Any of the deduction calculation software programs on the market can perform these calculations.

Charitable Remainder Trusts and Pooled Income Funds: Gifts made (a) to establish charitable remainder trusts (including charitable remainder trusts administered outside the organization) where the remainder is not subject to change or revocation and (b) to pooled income funds should be credited to the "Deferred Gifts and Unconditional Promises (Future Commitments)" section of campaign totals at both the discounted net present value of the remainder interest allowable as a deduction by the *Internal Revenue Code* (see Campaign Report I, column III) and at the face (fair-market) value (column II).

The premise underlying the discounting to net present value of gifts of a future interest is that the net present value of a future interest is less than the face (fair-market) value of the assets at the time the gift commitment is made. (For a discussion of net present value of gifts, see Appendix B.)

In Canada, credit such gifts at the amount eligible to be used in the individual's tax credit calculation. It should be noted that not all charitable remainder trusts qualify the donor or the donor's estate for a charitable donation receipt. The determination as to whether the donor qualifies for a charitable donation receipt depends upon whether the trust meets the conditions set forth in Interpretation Bulletin IT-226R.

Note: Details of all charitable remainder trust gifts may not be available to the organization, and thus it will not always be possible to verify that the organization is the charitable remainder beneficiary irrevocably. Nonetheless, to be counted in fund-raising totals, the charitable remainder beneficiary designation must be irrevocable and verified as such.

Closely Held Stock: Gifts of closely held stock exceeding $10,000 in value should be reported at the fair value placed on the stock by a qualified independent appraiser as required by the IRS for valuing gifts of stocks not publicly traded. The organization may obtain the appraiser's valuation figure from IRS Form 8283, on which the donor must obtain the donee's signature for all such gifts.

Gifts of $10,000 or less may be valued at the per-share cash purchase price of the most recent transaction. Normally, this transaction is the redemption of the stock by the corporation. If no redemption is made during the campaign period, the gift may be credited to campaign totals at the value determined by a qualified independent appraiser. For a gift of $10,000 or less, when no redemption has occurred during the campaign period, an independent certified public accountant (CPA) may be deemed to be qualified to value the stock of that corporation.

Note: For a specific definition of "qualified independent appraiser," see the U.S. income tax regulation in Section 1.170A-13(c)(3). *For guidance in Canada, see Revenue Canada's publication "Gifts and Income Tax," P113 Rev. 94.*

Contributed Services: Contributed services should be counted as gift income if they meet all three of these requirements: (a) They would need to be purchased if not contributed; (b) they require specialized skills; and (c) they are provided by someone who possesses those skills. However, even if the donor meets this three-point test, there is no income tax charitable deduction.

CASE standards exclude contributed services from fund-raising management reports.

Grants and Contracts: Reports should include grant income from private, nongovernment sources but should *not* include contract revenue. The difference between a private grant and a contract depends on the intention of the awarding agency and the legal obligation incurred by an organization in accepting the award. A private grant, like a gift, is donative in nature; it is bestowed voluntarily and without expectation of any tangible return. A contract carries an explicit *quid pro quo* relationship between the source and the recipient.

Government grants and awards — whether local, state (including state matching grants), federal, or foreign — should be excluded from campaign reports. For further help in distinguishing between contracts (exchange transactions) and contributions, see Appendix D.

Life Insurance Policies: The face value of a life insurance policy should not be counted in fund-raising totals before the death of the donor, *even if* the organization is the owner and irrevocable beneficiary of the policy. You may report the cash surrender value of the policy in the initial year and its increases each year during the five-year counting period for campaign pledges. Premiums paid by the donor during the five-year counting period should be reported as gift income. Realized death benefits from a policy, less any previously reported cash surrender values and premiums paid by the donor, should be reported as a gift on the date the organization receives the net proceeds of the policy.

CASE standards differ, in that realized death benefits received are not counted as gift income if any amount was counted previously, except as noted under "Special Circumstances" below. In addition, under CASE standards, paid-up policies may be counted either as an outright gift at the cash surrender value or as a deferred gift at both the face value and the discounted present value of the policy.

Marketable Securities: Count marketable securities at the average of the high and low quoted trading prices (or the average of the bid/ask in the case of certain securities) on the date the donor relinquished dominion and control of the assets in favor of the not-for-profit organization or trust. To determine the fair-market value if the security was not traded on that date, the IRS requires that the average of the high and low on the day before the transaction be combined with the average on the day after the transaction. Neither losses nor gains realized by the organization's sale of the securities after their receipt, nor brokerage fees or other expenses associated with this transaction, should affect the contribution value reported to the donor and in campaign gift reports.

Exactly when a donor relinquishes dominion and control depends upon the method of delivery of the securities to the organization. It is often possible today to complete this exchange electronically, without paper documents, between the donor's agent and the organization's agent. These

reporting standards do not address the multitude of tax rules regarding the delivery of securities. Still, some guidance is available from IRS Publication 526, "Charitable Contributions," which states:

> The gift to a charity of a properly endorsed stock certificate is completed on the date of mailing or other delivery to the charity or to the charity's agent. However, if you give a stock certificate to your agent or to the issuing corporation for transfer to the name of the charity, your gift is not completed until the date the stock is transferred on the books of the corporation.

This date will be noted on the stock certificate issued in the name of the not-for-profit organization. The transfer of securities held in "street names" is complete when the donor's broker/agent relinquished control in favor of the donee or the donee's agent. The term "street names" is used when securities are held in names other than the donor's, such as those of the broker or agent.

Revenue Canada's administrative procedure stipulates that the closing market price on the date of the gift determines the fair-market value of the gift.

Real or Personal Property and Gifts-in-kind: A gift of real or personal property that qualifies as a charitable deduction for a donor should be counted at its full fair-market value regardless of the value the donor may be able to take as a charitable deduction. IRS requirements for gift substantiation note that the donor has the responsibility for valuing property for tax deduction purposes.

Caution should be exercised to ensure that only gifts that are convertible to cash or that are of actual value to the organization are included in campaign totals. Gifts with fair-market values of more than $5,000 should be counted at the values placed on them by qualified independent appraisers, as required by the IRS for valuing noncash charitable contributions. Gifts of $5,000 or less may be reported at the value declared by the donor or, if there is expertise on the staff other than that of the development officer, as placed on the gift by such an expert. Organizations may obtain the appraiser's valuation figure from IRS Form 8283, on which the donor must obtain the donee's signature for all such gifts.

Gifts-in-kind are noncash donations of materials or long-lived assets. Gifts of materials or long-lived assets that serve the purpose of the organization should be reported at the face (fair-market) value. Gifts-in-kind might include such items as equipment, software, printed materials, and food or other items used for hosting dinners, for example. For items such as equipment and software, report the discount value, if any — that is, the value the organization would have paid if it had purchased the item outright from the vendor.

Report gifts of copyrights and ownership of gas or oil wells at the readily determinable face (fair-market) value. If the fair-market value is not known and cannot be readily determined, report the asset in the year the value becomes known. For gifts of royalties from gas and oil wells not owned by the organization, report the amount received each year.

Note of caution: Except for royalties, such gifts may be considered unrelated to the organization's exempt purpose and should be reviewed by counsel as to the appropriateness of accepting the gift and whether the income generated by the gift is subject to unrelated business income tax (UBIT).

In Canada, gifts of appreciated property are subject to capital gain. However, when the fair-market value of a gift exceeds its adjusted cost base, donors of such capital property may, according to the federal Income Tax Act (in Quebec, the Quebec Taxation Act), choose to value such a gift at a value between its fair-market value and adjusted cost base. In effect, this choice results in a tax receipt being issued for less than the fair-market value of the gift. The organization should record the fair-market value of the gift.

Also, in Canada, if an appraisal is needed and the fair-market value of the gift is $1,000 or less, such appraisal can be provided by a qualified staff member of the organization receiving the gift. For further guidance on appraisals, gifts-in-kind, gifts of listed personal property, and gifts of certified cultural property, see Revenue Canada's "Gifts and Income Tax," P113 Rev. 94.

Remainder Interest in a Residence or Farm: A gift of a remainder interest in a personal residence or farm should be credited in the "Deferred Gifts and Unconditional Promises (Future Commitments)" section of campaign totals at both the remainder net present value recognized as an allowable deduction by the IRS and at the face (fair-market) value.

In Canada, donors may make a gift of a residual interest in real property or an equitable interest in a trust (either real or personal property). Such gifts should be credited in the "Deferred Gifts and Unconditional Promises (Future Commitments)" section at both the residual (present) value recognized as eligible to be used in the calculation of the individual's tax credit and at the face (fair-market) value. For further guidance, see Revenue Canada's "Interpretation Bulletin IT-226R — Gifts to a Charity of a Residual Interest in Real Property or an Equitable Interest in a Trust."

Testamentary Gifts (Bequests) Realized: All bequests realized during the defined duration of the campaign should be counted at full value in campaign totals as long as no gift amount was counted previously.

Wholly Charitable Trusts Administered by Others: A wholly charitable trust is one that is held for the benefit of charity, where the principal is invested and the income is distributed to charitable organizations. All interests in income and principal are irrevocably dedicated to charitable purposes (as opposed to a charitable remainder or lead trust). Although it is similar in this sense to an endowment fund, it is created as a free-standing entity.

The fair-market value of the assets, or a portion of the assets, of such a trust administered by an outside fiduciary should be counted in the "Current Gifts and Unconditional Promises" section of campaign totals for the year in which the trust is established, provided that the organization has an irrevocable right to all or a predetermined portion of the income of the trust.

The amount to be reported, where less than the entire income of the trust is to be distributed to the organization, is the amount of the income to be distributed to the organization divided by the total income (or the stated percentage to be distributed, if the trust terms spell this out as a percentage) multiplied by the value of the trust assets. The income of the trust is thereafter treated as endowment income and does not appear in the amounts reported under gifts.

Special Circumstances: If a deferred gift of trust or gift annuity has been counted for the campaign as a future commitment in column II and the life income recipient (for gift annuities, pooled-income funds, and charitable remainder trusts) dies within a five-year reporting period for the campaign, resulting in the organization receiving the gift in full, the organization may revise its crediting of the gift to reflect that the gift is fully paid during the allowable five-year period by deleting it from "Deferred Gifts," column II, and replacing the full value in "Current Gifts and Unconditional Promises," column I. This procedure reflects consistency in reporting these receipts with gifts and pledges paid during the five-year reporting period.

REPORT OF CUMULATIVE CAMPAIGN ACTIVITY

Cumulative campaign results as of the close of your fiscal year (*month, day, year*), representing year _____ of the campaign period.

A. Campaign goal by objectives

Current operations	$_____
Capital projects	$_____
Endowment	$_____
Total	$_____

B. Campaign goal by types of gifts

Outright	$_____
Deferred	$_____
Total	$_____

C. Progress toward goal

Column IV from Campaign Report I	$_____
Column V from Campaign Report I	$_____

D. External reports to donors

Do you use the Campaign Report in your external reports to donors? *(check one)*

____ Yes
____ No

E. Organization's data

Individuals of record	_____
Operating budget	_____

F. Campaign scope *(check one)*

____ Single-purpose
____ Several purposes
____ Comprehensive — total organization

G. Length of campaign period *(check one)*

____ 1 year
____ 2 years
____ 3 years
____ 4 years
____ 5 years
____ 6 years
____ 7 years

H. Maximum unconditional promise (pledge) payment period *(check one)*

____ 3 years ____ 5 years

____ 4 years ____ Other *(explain)*

_____

_____

_____

I. Gifts during advance-gifts (nucleus-fund) phase included in totals *(check one)*

____ Gifts to featured objectives only

____ All gifts received by the organization

J. In what phase was your organization's campaign for this reporting year? *(check one)*

____ Pre-campaign planning ____ General public phase

____ Advance-gifts/nucleus-fund ____ Post-campaign accounting

K. Dates of campaign phases *(month/year)*

____ Began crediting gifts

____ Campaign was/will be publicly announced

____ Completion or targeted completion

L. Ten largest gifts/unconditional promises to the campaign and source

	$ Amount	Source (leadership, members, etc.)
1.	_____	_____
2.	_____	_____
3.	_____	_____
4.	_____	_____
5.	_____	_____
6.	_____	_____
7.	_____	_____
8.	_____	_____
9.	_____	_____
10.	_____	_____

M. Number of donors to the campaign _____

N. Total dollar amount of gifts and unconditional promises

From top 1% of donors

at face (fair-market) value $_____

at net present value $_____

From top 10% of donors $_____

at face (fair-market) value $_____

at net present value $_____ 61

CAMPAIGN REPORT I: Results by Objective and Source

	Column I CURRENT GIFTS AND UNCONDITIONAL PROMISES[1] (FACE VALUE)				Column II DEFERRED GIFTS AND UNCONDITIONAL PROMISES[2] (FUTURE COMMITMENTS) (FACE VALUE)				Column III DEFERRED GIFTS AND UNCONDITIONAL PROMISES[3] (FUTURE COMMITMENTS) (NET PRESENT VALUE)				Column IV CAMPAIGN TOTAL Column I plus Column II		Column V CAMPAIGN TOTAL Column I plus Column III	
	Featured objectives		Other objectives		Featured objectives		Other objectives		Featured objectives		Other objectives					
	G	P	G	P	G	P	G	P	G	P	G	P	G	P	G	P
A. Clients	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$
B. Leadership																
C. Membership																
D. Other individuals																
E. Foundations																
F. Corporations																
G. Chapters																
H. Consortia																
I. Other donor organizations																
TOTAL																

[1]Current commitments to be paid during the campaign period and the unconditional promise (pledge) payment period.

[2]Face (fair-market) value of deferred commitments received during the campaign period for which a specific maturation date cannot be determined.

[3]Net present value of deferred commitments received during the campaign period for which a specific maturation date cannot be determined.

G = Gifts

P = Unconditional promises

CAMPAIGN REPORT II: Revenue Projection by Gift Type

This report is for internal use.

	CURRENT/OUTRIGHT GIFTS AND PROMISES			DEFERRED GIFTS (FUTURE COMMITMENTS)							
	Cash and securities	Property	TOTAL	Pooled-income funds	Gift annuities	Life estate gifts	Remainder trusts	Life term trusts	Life insurance	Testamentary pledges	
Campaign solicitation period (199X-20XX)	$_____	$_____	$_____								
Post-campaign accounting period (199X-20XX)	$_____	$_____	$_____								
TOTAL	$_____	$_____	$_____(a)								
Undetermined future period (deferred gifts)											**TOTAL**
Face value				$_____	$_____	$_____	$_____	$_____	$_____	$_____	$_____(b)
Net present value				$_____	$_____	$_____	$_____	$_____	$_____	$_____	$_____(c)

CAMPAIGN GRAND TOTAL

Current gifts and promises (face value) plus deferred gifts at face value [a + b] = $_____

Current gifts and promises (face value) plus deferred gifts at net present value [a + c] = $_____

APPENDICES

APPENDIX A

Reconciling Fund-Raising Activity Reports with the Organization's Financial Statements

This appendix applies only to the reporting standards for annual giving fund-raising results.

The following chart highlights the major revenue sources that are to be included in the gift income report but that do not normally appear in the organization's financial statements. It should be possible to reconcile these income amounts to official financial accounting data. The chart also shows major revenue sources normally included in the financial statements that do not belong in the gift income report.

Generally accepted accounting principles (GAAP), as promulgated by the Financial Accounting Standards Board (FASB), the Government Accounting Standards Board (GASB), and other authorities, evolve over time. This chart describes differences between these standards and GAAP for governmental and nongovernmental entities at the time these standards were issued. Development and financial officers should be alert to new pronouncements not reflected in this chart.

APPENDIX A

GUIDE TO RECONCILING ANNUAL GIVING FUND-RAISING ACTIVITY REPORTS WITH THE ORGANIZATION'S FINANCIAL STATEMENTS

Types of Revenues/Receipts	Include in Gift Income Report	Include as Gift Income in Financial Statements	
		Private organizations and foundations at public organizations	Public organizations
Private gifts and grants			
• Unrestricted	Yes	Yes	Yes
• Restricted	Yes	Yes	Yes[a]
Private contracts (exchange transactions)	No	No	Yes[a]
Unconditional promises	Yes	Yes	No[b]
Pass-through transactions (agency)	No	No	No
Deferred gifts			
• Bequest intentions	No	No	No
• Revocable agreements	No	No	No
• Perpetual trusts held by others[c]	Annual income	Yes	No[d]
• Charitable lead trusts	Annual income	Net present value[f]	Annual income
• Charitable remainder trusts	Yes[e]	Yes[f]	Yes[g]
• Charitable gift annuities	Yes[e]	Yes[f]	Yes[h]
• Pooled income funds	Yes[e]	Yes[f]	Yes[g]

Notes:

a. Public organizations following the *1996 AICPA Audit and Accounting Guide for Not-for-profit Organizations* recognize restricted revenue to the extent that funds have been spent for the intended purpose.

b. For public organizations, reporting unconditional promises on the financial statements is not required but is permitted.

c. This assumes that the donor cannot change the income beneficiary.

d. For public organizations, reporting of perpetual trusts held by others on the financial statements is not required but is permitted.

e. Report at net present value (NPV). For purposes of the fund-raising activity reports, the net present value is the same amount as the Internal Revenue Service (IRS) allows as a charitable deduction.

f. Private organizations would recognize as contribution revenue the net present value of the future benefits to be received from these trusts. Organizations should calculate the total income expected over the life of the trust, based upon the discounted net present value, and report that total sum in the year in which the trust is received.

g. Public organizations report the total amount of assets received as an addition to the Annuity and Life Income Fund balance.

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APPENDIX B

Net Present Value Calculations for Deferred Gifts

This appendix applies to the reporting standards for both annual giving and campaigns.

The financial world uses the mechanism of *net present value discounting* to recognize today's value of an asset that will not be realized until some time in the future. The net present value of a future interest is nothing more than a statement or calculation of what the future amount would be worth in terms of today's dollar value.

In the case of deferred gifts such as charitable remainder trusts, many factors affect the value of the charitable reminder interest. Depending on the type of trust used to make the gift and the terms of the gift, the value of the gift is affected by the interest rate used in valuing the deduction, the length of any noncharitable beneficiary's fixed-term income interest, the age of a noncharitable beneficiary of a life-income interest, the amount of a beneficiary's annual annuity or the percentage used to determine the annuity, the frequency of the payments to the beneficiary, and, in the case of a pooled income fund, the past earnings of the fund.

The National Society of Fund Raising Executives (NSFRE) follows U.S. tax law, which determines the value of an annuity, any interest for life or a term of years, or any remainder or reversionary interest by (a) using an interest rate, rounded to the nearest two-tenths of one percent, equal to 120 percent of the applicable federal mid-term rate (AFR) in effect for valuing certain debt instruments for the month in which the valuation falls, and (b) basing the calculation on the most recent mortality experience available. Regarding (a), the AFR for determining the net present value of an annuity or a remainder interest is published monthly by the U.S. Treasury and appears in various publications, including the *Wall Street Journal* and the *Chronicle of Philanthropy*. Regarding (b), the Internal Revenue Service (IRS) publishes volumes of various valuation factors. Many planned-giving software packages are also very useful for these calculations.

In Canada, the value of an annuity for tax receipt purposes is calculated by multiplying the life expectancy of the annuitant(s) (as provided in Revenue Canada's "Interpretation Bulletin IT-111R — Annuities Purchased from Charitable Organizations") by the annual annuity income. In the case of a gift of a residual interest or an equitable interest in a trust, "Interpretation Bulletin IT-226R — Gifts to a Charity of a Residual Interest in Real Property or an Equitable Interest in a Trust" cites the following factors to be considered in calculating the net present value of the gift: fair-market value of the property gifted, current interest rates, the life expectancy of the life tenant(s), and any other factors relevant

to the specific case. Revenue Canada has not issued any tables to be used in valuing residual interests. Similar factors should be considered in determining the net present value of charitable remainder trusts that are not specifically mentioned in the Income Tax Act but that would appear to be a form of a gift of a residual interest.

APPENDIX C

Financial Accounting Standards Board (FASB) Statements 116 and 117

This appendix applies to the reporting standards for both annual giving and campaigns.

This appendix offers general information to fund development officers about standards of financial accounting for reporting gift income *in an organization's financial statements.* Beginning with fiscal years that started after December 15, 1994, the Financial Accounting Standards Board (FASB) requires organizations under its jurisdiction to comply with standards for recognizing and reporting contributions, as defined in FASB SFAS 116, *Contributions Received and Contributions Made,* and to standards for reporting financial information, as defined in FASB SFAS 117, *Financial Statements of Not-For-Profit Organizations.* Fund development and business officers therefore need to confer to determine the specific gift income data needed for the financial statements.

Under SFAS 116, organizations are required to report as revenue in their financial statements all unconditional promises to give (pledges). The FASB rules for recognizing and reporting contributions are built on the concept that a contribution (gift) is an unconditional, voluntary, nonreciprocal transfer of assets (including unconditional promises) to a not-for-profit organization. A promise, according to FASB, is an irretractable commitment by the donor to the organization. This notion of a promise differs from statements of intent, which are retractable and/or indefinite.

Although a contribution is an unconditional transfer, as described in the previous paragraph, donors may impose conditions on funds transferred or promised. A condition is a future and uncertain event. To be unconditional, a promise cannot depend upon the occurrence of a future and uncertain event. Under these definitions, if a donor maintains a right to change the beneficiary of his or her gift, such as in the case of a will or an insurance policy, the donor is not making a promise but rather a statement of intent, and as such the gift would not be recorded in the financial statements of the organization. Also, any promise of a donation that is conditional on the organization raising matching funds would not be recorded in the financial statements at the time the promise is made because the promise to give is conditional; it depends on an uncertain event, namely whether the organization can raise the matching funds.

Although governmental entities must follow guidance issued by GASB, legally separated not-for-profit entities raising funds for these governmental entities must, for the time being, follow guidance issued by FASB. Consequently, these entities must follow the same guidance as all other fund-raising entities. GASB rules permit, but do not require, recording unconditional promises (pledges) to give. FASB rules, however, require recording unconditional promises (pledges) to give.

Note: In the unlikely event that a government entity raises funds directly, such as by having a fund-raising department rather than a separate entity for fund-raising, the fund-raising transactions must be recorded in accordance with GASB guidance.

In addition to specifying when gifts should be recorded in the financial statements, SFAS 116 also provides rules on the definition and timing of the lifting of donor restrictions on gifts. These new standards have some differences from GASB's current practice. Thus, development officers and business officers may anticipate seeing significant differences in how public and private organizations report restricted gifts *in their financial statements.*

SFAS 117 rules on financial statement display require the external financial reporting of not-for-profits to focus on the entity as a whole rather than on individual funds. Although fund accounting is no longer required, some entities will continue to use fund accounting for internal recordkeeping. SFAS 117 also requires not-for-profits to report net assets as permanently restricted, temporarily restricted, or unrestricted, depending upon the existence or absence of donor restrictions.

Development officers and business officers should refer to the FASB publications on SFAS 116 and 117 for a more complete description of these important rules.

APPENDIX D

NACUBO Guide to Distinguishing Between Contracts (Exchange Transactions) and Contributions

This appendix applies to the reporting standards for both annual giving and campaigns.

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Because some transactions may appear to be much like contributions, a careful assessment of the transaction is necessary to determine whether the institution has given up an asset or incurred a liability of commensurate value (SFAS No. 116, paragraph 49). In its basis for conclusions, FASB stated that assessing the characteristics of the transaction from the perspective of both the resource provider and the recipient is necessary to determine whether a contribution has occurred. In certain cases, a transaction may be in part an exchange transaction and in part a contribution.

Review the items of revenue and support in the following figure and decide which will be treated as contributions and which as exchange transactions. Several factors should be considered in making this decision. No one factor alone may be determinative.

Use the following list as an aid in distinguishing contributions from exchange transactions. This list identifies the "typical" classification for each factor. No one single factor will provide sufficient information to determine the appropriate classification for the transaction. Specific circumstances may change the appropriate response to each factor.

CLASSIFYING REVENUE AS CONTRIBUTION (C) OR EXCHANGE TRANSACTION (ET)

FACTOR	C	ET
Funds provide goods/services for a program of the resource provider.		√
Initiative for project comes from the organization providing the funds.		√
Proprietary results belong to funding organization, in whole or in part, after the work is completed.		√
Results of the work have a specific commercial value for the resource provider.		√
Resource provider sponsors research and development activities and retains patents, copyrights, advance and exclusive knowledge of outcomes.		√
Payment supports direct/immediate need of government or organization that provides the funding.		√
Benefits to the resource provider are primary, and public benefits are secondary.		√
Resource provider defines performance objectives such as a detailed report and a timetable for meeting objectives.		√
Time and place for delivery of results are specified.		√
It fulfills a service as prescribed by the resource provider.		√
Recipient gives up the benefits of the research to the resource provider.		√
Recipient pays economic/punitive penalties for failure to meet agreement.		√

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CLASSIFYING REVENUE AS CONTRIBUTION (C) OR EXCHANGE TRANSACTION (ET) (Continued)

FACTOR	C	ET
Initiative for project comes from the organization receiving the funds.	√	
Proprietary results belong entirely to recipient organization after the work is completed.	√	
Results of the work have no commercial value for the resource provider.	√	
Recipient organization defines performance objectives, such as a detailed report and a timetable for meeting objectives.	√	
Time and place for delivery of results are not specified.	√	
Resource provider does not receive commensurate value in return for support.	√	
Recipient determines ownership of the products of the research.	√	
Recipient holds unconditional right to receive the funds.	√	
Recipient retains control and ownership of any work completed after completion of the project.	√	
Funds are used to carry out an already existing program of the recipient organization.	√	
Recipient participates actively in determining how the funds will be spent.	√	

CASE

COUNCIL FOR ADVANCEMENT
AND SUPPORT OF EDUCATION

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GUIDE TO RECONCILING ANNUAL GIVING FUND-RAISING ACTIVITY REPORTS WITH THE ORGANIZATION'S FINANCIAL STATEMENTS (Continued)

Types of Revenues/Receipts	Include in Gift Income Report	Include as Gift Income in Financial Statements	
		Private organizations and foundations at public organizations	Public organizations
Life insurance policies			
• Initial cash surrender value	Yes	Yes	Yes
• Premiums paid by donor	Yes	Yes/No*	Yes
• Changes in cash surrender value	Yes	Yes/No*	No
• Death benefits (realized)	Yes, less amounts previously recorded	Practice may vary[i]	Practice may vary[i]
Gifts-in-kind	Yes	Yes[j]	No[j]
Government transfers			
• Appropriations	No	No[k]	No[k]
• Grants and contracts	No	No[k]	No[k]
• Pass-through transactions (agency)	No	No	No
Gifts received *by* affiliated foundations			
• If combined in financial statements	Yes	Yes	Yes
• If not combined in financial statements	Yes	No	No
Gifts *from* affiliated foundations			
• If combined in financial statements	No	No	No
• If not combined in financial statements	No	Yes	Yes

h. Public organizations report the total amount of assets received, less the estimated net present value of the contractual payments, as an addition to the Annuity and Life Income Fund balance.

i. Neither FASB nor GASB has directly addressed the issue of recording the difference between previously recorded amounts and the amount at settlement. Therefore, practice may vary.

j. Private organizations should report gifts-in-kind and contributed services as contribution revenue if such gifts meet the recognition criteria set forth in FASB's SFAS 116. Public organizations would not typically recognize such gifts.

k. Generally, government appropriations, grants, and contracts are reported as "revenues from federal and state sources" and are not classified as gifts or contributions in the financial statements. However, some governmental transfers may meet FASB's definition of a contribution, and private organizations need to follow SFAS 116 requirements as to when and how these items are recorded in the financial statements.

*There is no universal guide, and thus practice is diverse.

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